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U.S. and Bahrain Conclude Free Trade Agreement

Model for Openness in the Persian Gulf

WASHINGTON - U.S. Trade Representative Robert B. Zoellick and Bahraini Minister of Finance and National Economy Abdulla Hassan Saif today announced the completion of a comprehensive Free Trade Agreement (FTA) designed to remove barriers and facilitate trade between both countries. Bahrain is the fourth Middle Eastern country to have negotiated an FTA with the U.S.

“This is a high-quality, comprehensive Agreement that will provide American workers, consumers, and businesses unprecedented economic opportunity in Bahrain,” said Zoellick. “It is a ground-breaking free trade agreement that will benefit both our peoples. Bahrain will substantially open its services market, streamline digital trade, protect intellectual property, facilitate government procurement and provide for effective enforcement of labor and environmental laws.”

“This agreement is about more than opening trade with a friend and ally in the Persian Gulf. Bahrain’s leaders, including Minister Saif, are reformers in a region searching for the fresh winds of new ideas, and the U.S.-Bahrain FTA is a pacesetter showing the way to implement the President’s initiative for building prosperity, opportunity and hope in the Middle East. This free trade agreement with Bahrain will build on our existing FTA with a rapidly modernizing Jordan, and on the FTA with a reforming Morocco that we will sign in two weeks,” said Zoellick.

“I want to thank my Bahraini counterpart, Abdulla Saif, for his leadership and commitment to open markets. The schedule for this FTA was ambitious, but so was Bahrain. We finished even earlier than expected, because Minister Saif and his government moved so decisively to embrace open trade and free markets. I also want to thank the U.S. lead negotiator, Cathy Novelli, and the entire negotiating teams of both countries for their hard work,” said Zoellick.

Under the Trade Act of 2002, the Administration must notify Congress at least 90 days before signing the agreement. The Administration will continue to consult with the Congress on the agreement and will soon send a formal notification of its intent to sign the U.S.-Bahrain FTA to Capitol Hill.

Background:

Two-way goods trade between the United States and Bahrain was \$887 million in 2003. U.S. goods exports to Bahrain in 2003 totaled \$509 million, including aircraft, machinery, vehicles, pharmaceutical products, and toys, games and sports equipment. U.S. exports of agricultural products to Bahrain in 2003 totaled \$14 million, including poultry, snack foods, cotton, and

processed fruit and vegetables. Two-way foreign direct investment is about \$195 million.

The June 2002 U.S.-Bahrain bilateral Trade and Investment Framework Agreement (TIFA) paved the way for a robust economic dialogue on promoting closer economic ties, freer trade, greater openness, a stronger investment climate, and economic reforms. After liberalizing its telecommunications market and passing legislation for transparent government procurement and labor rights as part of the TIFA process, Bahrain joined the WTO Information Technology Agreement, provided an open environment for electronic commerce, took the initial steps to join and implement the World Intellectual Property Organization (WIPO) Internet treaties, and pledged to treat agricultural biotechnology fairly.

Based on progress made through the TIFA discussions and Bahrain's commitment to opening its economy, the United States and the Kingdom of Bahrain announced on May 21, 2003, their intention to seek to negotiate a U.S.-Bahrain Free Trade Agreement. This was followed by a visit to Bahrain in June 2003 by Ambassador Zoellick where he met with government officials and business leaders and discussed how their economic reform agenda and support for trade liberalization will complement the FTA negotiations. Formal notice to Congress of the Administration's intent to initiate negotiations for an FTA with Bahrain was sent on August 4, 2003. After a 90-day period for consultations between the Administration and the Congress, the United States and Bahrain launched bilateral negotiations in Manama, Bahrain on January 26, 2004. A total of three negotiating rounds were held, with teams of negotiators and specialists meeting in Washington, Manama, London, and via digital videoconference.

In May 2003, the President announced his initiative to create a Middle East Free Trade Area by 2013. The initiative is designed to deepen U.S. trade relationships with all countries of the region, through steps tailored to individual countries' level of development. Since that announcement, the United States has concluded FTA negotiations with Morocco and Bahrain, signed TIFAs with Saudi Arabia, the United Arab Emirates, Kuwait, Qatar and Yemen, and is negotiating a TIFA with Oman. The U.S. already has TIFAs with Egypt, Algeria and Tunisia. The United States recently held its first TIFA Council meetings with Tunisia, the UAE and Kuwait. In addition, the U.S. has made progress with the WTO accessions of Saudi Arabia and Algeria, and in the case of Algeria, extended GSP benefits.

The United States is working to open markets globally in the Doha World Trade Organization (WTO) negotiations; regionally through APEC and the Free Trade Area (FTAA) of the Americas negotiations; and bilaterally, with FTAs. The Bush Administration has completed FTAs with eleven countries – Chile, Singapore, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Australia, Morocco, and now Bahrain – in the last two years. Negotiations are under way or about to begin with ten more countries: Panama, Colombia, Peru, Ecuador, Thailand, and the five nations of the Southern African Customs Union (SACU). New and pending FTA partners, taken together, would constitute America's third largest export market and the sixth largest economy in the world.

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A fact sheet on the agreement is available at www.ustr.gov